

What are Golden Agri's plans for its new palm oil concession in Papua's forests?

The relinquishment of Papua's forestland for GAR's new concession took place after the area was removed from primary forest moratorium

27 June 2013

How the forestry licensing process has allowed Golden Agri to get its hands on Papua's forests so as to expand its palm oil plantation estate

Golden Agri Resources (GAR), the palm oil company belonging to the Sinarmas Group, the second largest such company in the world, on 24 July 2012 secured the relinquishment of 20,143.30 hectares of Papua's forest located in Jayapura Regency.

The process of obtaining such permit started during the period from 2008 to 2010, when GAR submitted applications to relinquish a forest area of 22,000 hectares for the development of palm oil plantations.

On 21 March 2011 - more than one month after the launch of its "No-Deforestation Policy" by GAR – the Minister of Forestry gave an in-principle approval for the relinquishment of 20,325 hectares of Papua's forest for conversion into palm oil plantations by PT Sumber Indah Perkasa (SIP), a subsidiary of GAR.

However, in reality this in-principle approval from the Minister of Forestry was not immediately actionable as the forests in question were subject to the Moratorium on the Issuance of New Permits for Primary and Peatland Forests, as set out the Moratorium Map attached to Presidential Instruction Number 10 of 2011, dated May 20th, 2011, which map was subsequently further elaborated by the Minister of Forestry on a scale 1:250,000, signed on 17 June 2011.

The following map shows the area covered by the in-principle approval for forest area relinquishment (*delineated in red*), which was signed by the Minister of Forestry on 21 March 2011 and which authorized the relinquishment of the forest area in question to SIP for the development of palm oil plantations in areas covered by the moratorium counting from 20 May 2011 (*green-colored areas*).



The only way of converting this in-principle approval into a definitive approval was to exclude the area earmarked for the development of the GAR subsidiary's palm oil plantations from the Moratorium Map.

Legally speaking, this was indeed possible as there are rules of the game in the Presidential Instruction on the moratorium regarding the granting of new permits, one of which is that where a company has been issued with an in-principle approval prior to the publication of the Moratorium Map, then the area involved may be excluded from the Moratorium Map and subsequently be subject to the issuance of a forest relinquishment permit.

On the 22 November 2011, the Minister of Forestry published the first revision of the Moratorium Map, which excluded the area for which the in-principle approval had been granted to the GAR subsidiary.



This map shows how the area subject to the in-principle approval was excluded from the moratorium area.

The exclusion of the area in question from the moratorium area opened the way to continuing the process leading up to the issuance of a definitive relinquishment permit for the GAR subsidiary.

And so it came to pass that on 24 July 2012, the GAR subsidiary was granted a forest relinquishment permit for the development of palm oil plantations covering an area of more than 20,000 hectares of Papua's forest.

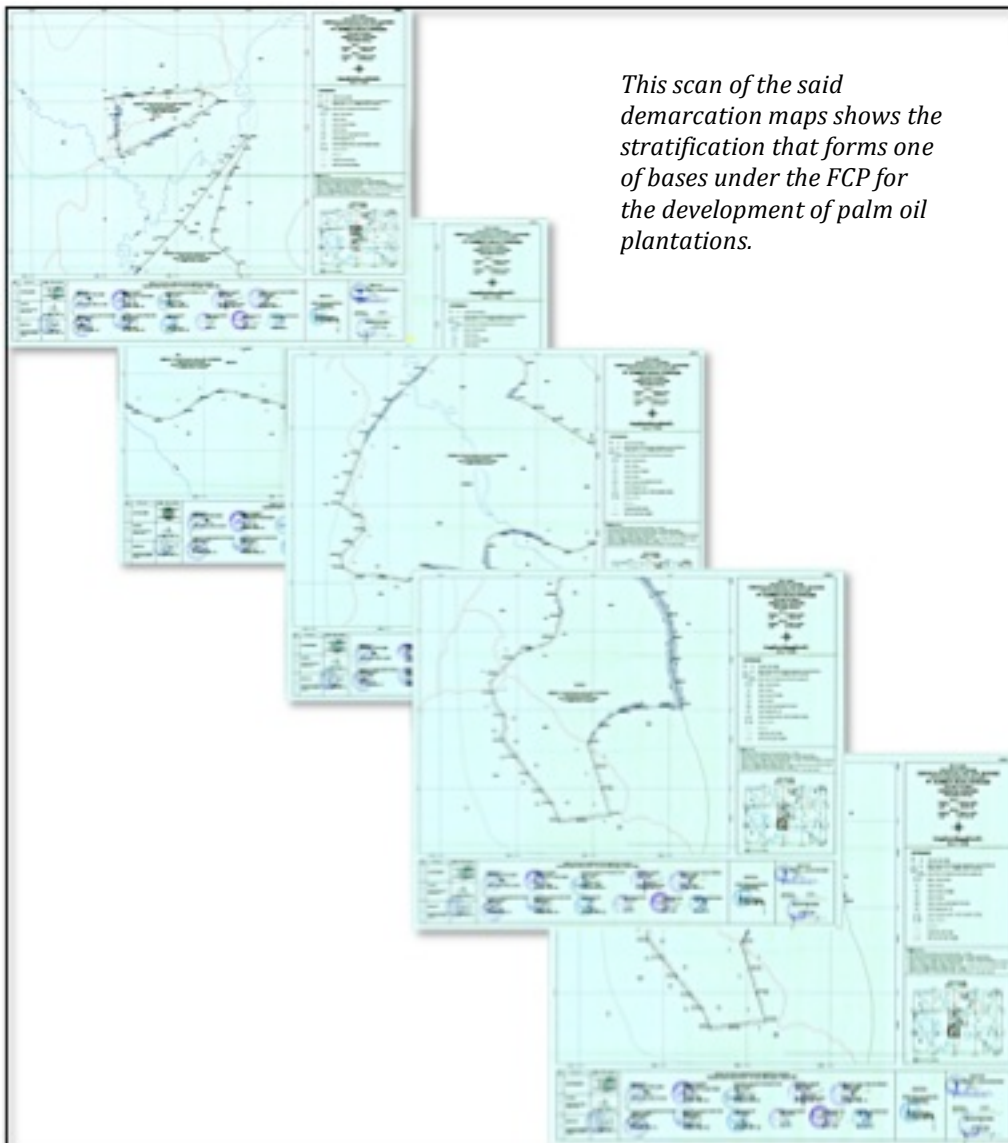
Greenomics Indonesia has felt compelled to compile this report considering that the bulk of the Papua's forestland that has been relinquished for the expansion of GAR's palm oil plantations constitutes land that still has good forest cover.

It is certainly interesting to see how GAR is utilizing this forestland for the development of palm oil plantations given that it is supposed to be implementing its "Forest Conservation Policy" (FCP), a policy in which the company commits itself to refraining from conducting land-clearing operations in areas of High Conservation Value Forest (HCVF) and High Carbon Stock (HCS).

Should the GAR subsidiary not have been granted the in-principle approval approximately two months prior to the launch of the moratorium, then it would not have been able to secure permit for the relinquishment of Papua's forestland for the development of new palm oil plantations.

How is the land cover in those areas of Papua's forest that have been relinquished for the development of palm oil plantations by the GAR subsidiary?

GAR seems quite serious about developing palm oil plantations in the Papua's forests. This seriousness is apparent from the Forest Relinquishment Demarcation Map that was approved by the Minister of Forestry on 23 July 2012, which identifies those points that are characterized by low density and those characterized by moderate density. This stratification is the process that is used by the FCP in deciding whether an area can be cleared for the development of palm oil plantations.



In the Minister of Forestry's Decree on the relinquishment of forestland for the development of the GAR subsidiary's palm oil plantations, which refers to the survey on forestry potential conducted by local forestry officials, it is stated that of the 22,012 hectares originally proposed for relinquishment by PT SIP, based on interpretation of the Landsat image dated 20 September 2009, 13,009 hectares constituted logged-over secondary forest, while 3,743 hectares consisted of logged-over secondary swamp forest.



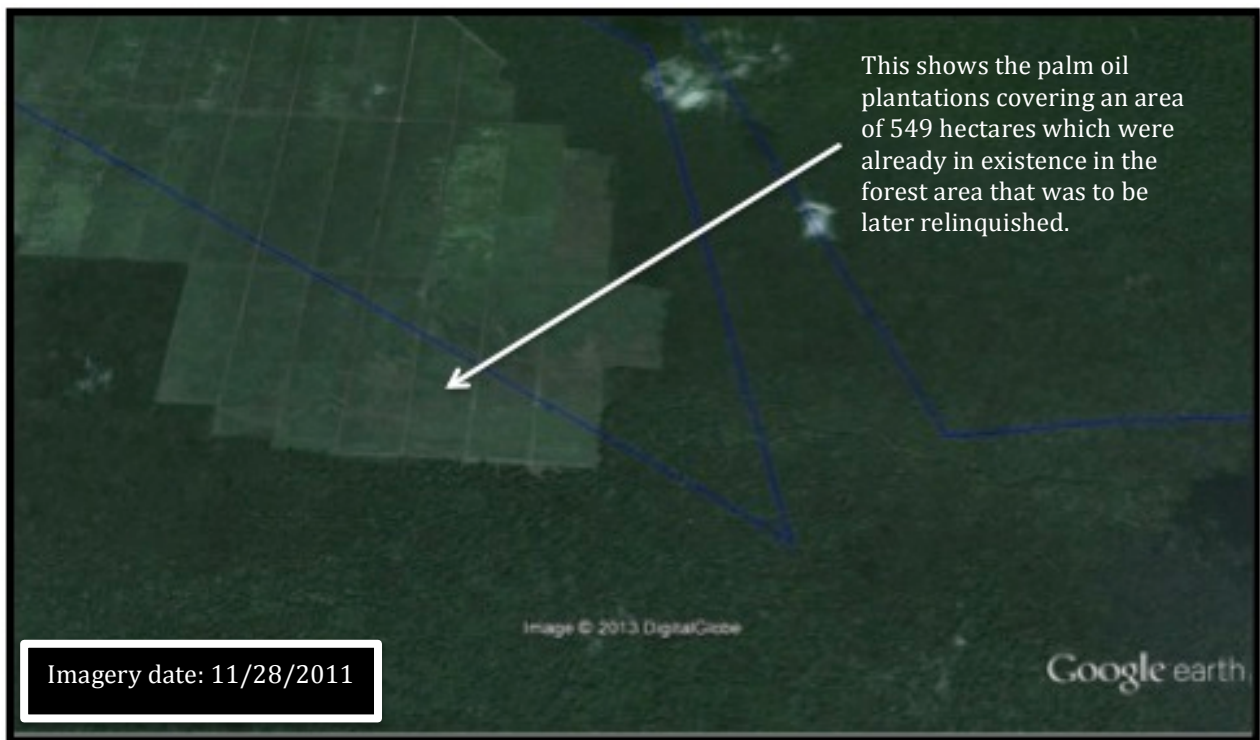
Thus, if viewed from the perspective of land cover composition, more than 76% of the area was forested. And, further, if we refer to the GAR FCP, then the area would be categorized as a potential HCS area.

However, the actual HCS area could have exceeded 76% bearing in mind that some 4,305 hectares were under cloud cover at the time the Landsat image was taken.

There were also young scrublands covering an area of 138 hectares, and open lands extending to 277 hectares. Based on the GAR FCP, these areas are suitable for the development of palm oil plantations.

Interestingly, there were some 549 hectares of palm oil plantations already in existence in the forest area that was subject to the application for relinquishment.

This means that 549 hectares of Papua's forest had been cleared prior to the granting of the forest relinquishment permit by the Minister of Forestry.

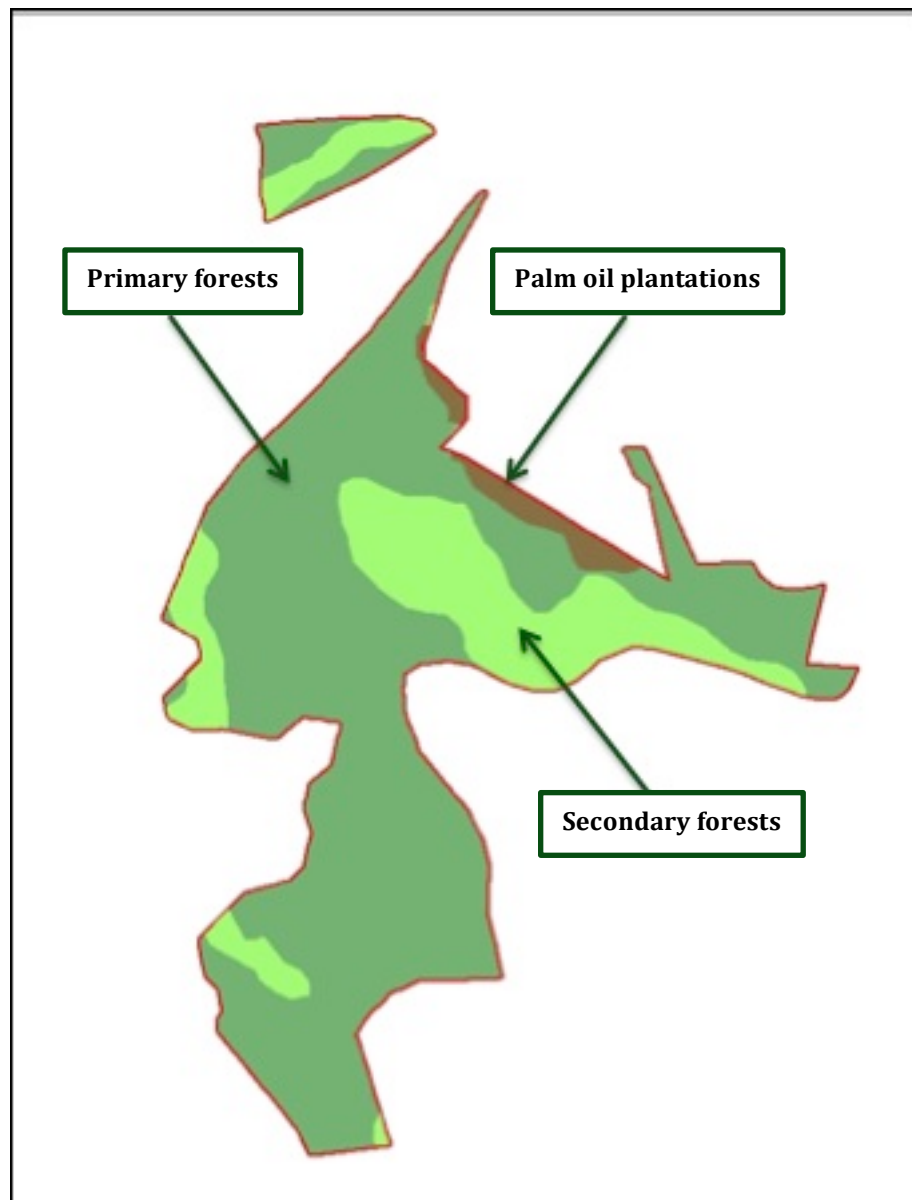


Based on the Moratorium Map's data shape file, the area for which the relinquishment permit was issued so as to facilitate the expansion of GAR's palm oil plantations consists of primary forest. This is based on the Ministry of Forestry's interpretations in the years 2000, 2003, 2006 and 2009.

For that reason, the Ministry of Forestry identified the entire prospective area for GAR's palm oil plantations as being subject to the moratorium in May 2011, before subsequently excluding it from the moratorium area in November 2011 based on the first revision to the Moratorium Map.

Along with the moratorium, the Ministry of Forestry published the results of its land cover interpretation in 2011. The following map shows the land cover in 2011 in the area relinquished for the development of palm oil plantations by GAR based on the Ministry of Forestry's interpretation.

Based on the land cover data from 2011, more than 97% of the land cover in the area relinquished for palm oil plantation development by the GAR subsidiary was in good condition, namely, it consisted of more than 15,000 hectares of primary forest (*green-colored areas*) and more than 4,500 hectares of secondary forest (*light green-colored areas*). The remaining 549 hectares consisted of palm oil plantations (*brown-colored areas*).



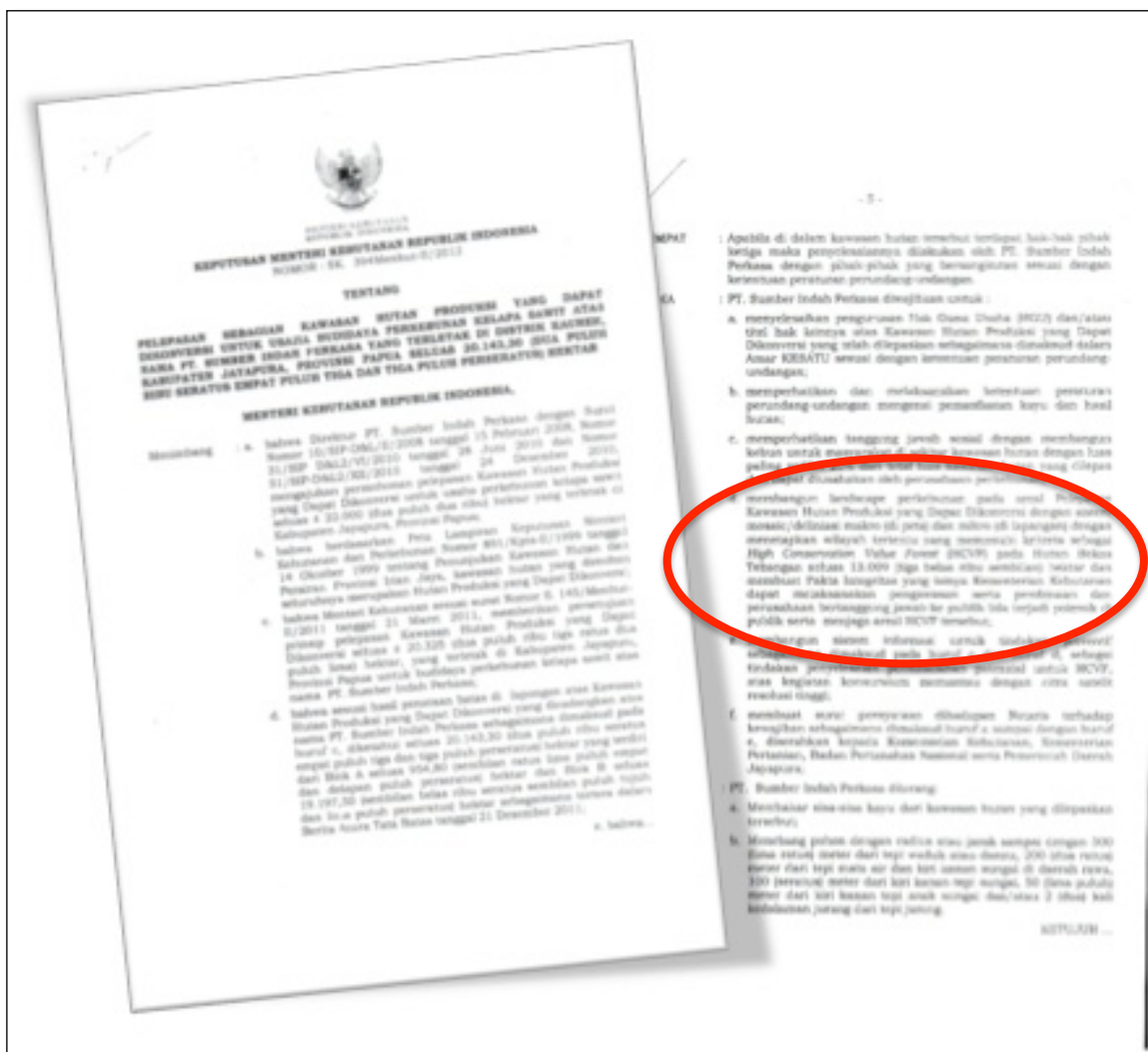
The results of the Ministry of Forestry's 2011 land cover interpretation can be crosschecked by overlaying the map showing the relinquished forestland with the Google Earth image dated 11/28/2011 and 4/10/2013, as shown below.



GAR's subsidiary is obliged to protect HCVF areas

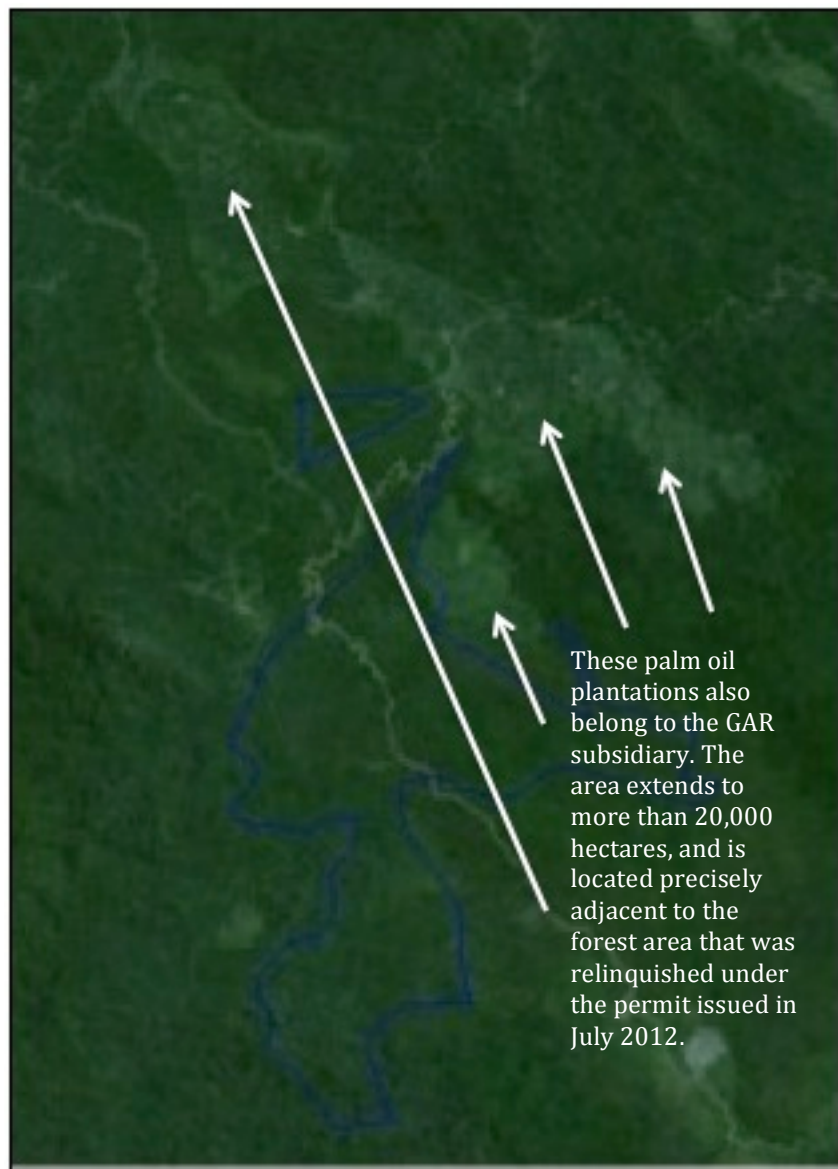
In respect of the 20,143.30 hectares that were relinquished for the development of GAR (SIP) palm oil plantations by the Minister of Forestry Decree on 24 July 2012, SIP is obliged to identify particular areas that meet the criteria for HCVF designation in an area covering 13,009 hectares out of the total relinquished area of 20,143.30 hectares.

The scanned excerpt from the Minister of Forestry Decree shows that obligations imposed on SIP to protect HCVF areas in the forest area that was relinquished.



Such obligations will most certainly pose a challenge to GAR in the implementation of its FCP as the obligation to protect HCVF areas is now not just a commitment on the part of GAR, but rather is a concrete, legal obligation imposed by the Indonesian government. In fact, SIP is required to enter into an Integrity Pact to protect these areas.

How about the proposed swap of HCS lands for degraded lands?



In early May 2013, GAR's Managing Director for Sustainability and Communications, Peter Heng, stated that GAR has an area covering 19,000 hectares that constitutes HCS areas as it contains carbon amounting to more than 35 tons per hectare.

This area is spread out across eight palm oil plantation concessions in West Kalimantan and Central Kalimantan on Borneo Island. Peter Heng encouraged the Government of Indonesia to apply a land swap deal to these 19,000 hectares by swapping them for degraded lands (*quoted from Dow Jones Newswires, 9 May 2013*).

In his statement on such a land-swap arrangement, Peter Heng failed to mention the relinquishment of Papua's forest that was secured by GAR's subsidiary in late July 2012 for the development of palm oil plantations covering an area of more than 20,000 hectares, which area is dominated by primary forest.

As regards the proposed swap of the HCS area for degraded lands, this would be good for forest conservation.

However, as regards the areas which meet the criteria for designation as HCVF and which are located within the area of relinquished forest and which must be protected under legal obligation imposed by the Indonesian government, the question of including such areas in a land-swap arrangement is irrelevant as legally speaking they must be protected.

What should GAR do now?

- GAR needs to explain to the public about its proposed operations in the area of Papua's forest that has been relinquished, the majority of whose land cover is still pretty much intact and which should be conserved as natural forest.
- GAR also needs to explain to the public just how far its commitment extends under the FCP to protect the HCVF and HCS areas contained within the relinquished forest area in Papua, which, based on the relevant permit, is now earmarked for the development of palm oil plantations.



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